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SUBJECT: BRAZIL: NEW LEADERSHIP GIVES GREEN LIGHT TO CREATING A  
TROPICAL FOREST CONSERVATION ACT PROGRAM

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¶1. (SBU) SUMMARY. The Government of Brazil (GOB) on November 30 informed the U.S. Government (USG) that it wants to establish a debt-for-forest program under the Tropical Forest Conservation Act (TFCA). The GOB submitted specific changes it wanted to make in the proposed text of an agreement creating such a program, which draft text the USG had submitted in October 2008. This step forward follows a changing of the guard near the top of the Ministry of External Relations. Now, the GOB - not just the Environment Ministry - is favorable toward creating a TFCA program and is eager to finalize the text and bring the program to life. A successful conclusion of the TFCA negotiations could be helpful for the bilateral relationship in general and specifically with respect to the anticipated negotiations of a forest credit/offset agreement under U.S. climate change legislation now in the U.S. Congress.  
END SUMMARY.

¶2. (SBU) On November 30, the Government of Brazil (GOB) through its Embassy in Washington informed the U.S. Government (USG) that it would like to establish a program under the Tropical Forest Conservation Act (TFCA) and provided detailed changes they would like to see in the draft text presented by the USG in October 2008. Shortly afterwards, in a December 2 meeting about climate change the Ministry of External Relations' (MRE) Under Secretary for Policy, Ambassador Vera Machado, raised the matter of a TFCA agreement with Charge d'Affaires, a.i. Lisa Kubiske. Machado indicated that the MRE thought a TFCA agreement was important and wanted to conclude it soon. Earlier in November, the MRE's new Secretary-General (or Deputy Minister) Antonio Patriota had told the Charge that the GOB wanted to establish a TFCA program and promised to have a detailed response, with their suggested changes, by November 30.

¶3. (SBU) COMMENT. Deputy Minister Patriota, who just assumed office a month ago, and Ambassador Machado, who arrived less than a year ago, are key new faces handling bilateral and multilateral matters filling the senior ranks of the MRE. Previously, the GOB's response to the USG's TFCA proposal, which had been prepared by staff many months ago, just sat on the desk of Patriota's predecessor. While the TFCA matter has come up from time to time with Minister of External Relations Celso Amorim, it seems that Amorim has been content to let the Deputy Minister handle the matter. His previous Deputy Minister chose not to send the USG a response even though the Ministry of Environment had been pushing hard to do so. In contrast, Patriota within his first month

presented a clear signal that the GOB wants at TFCA program and provided a detailed response to the draft text. Moreover, the MRE through Machado is now pressing the USG to move quickly. The recent changeover in the senior positions at the MRE have opened the door for better ties and greater cooperation with Brazil, not just with environmental matters, such as in the case of the TFCA, but also in a variety of other areas. END COMMENT.

#### NEXT STEPS

14. (SBU) Science Counselor met on December 2 with the MRE's Director of the Environment Division, Fernando Coimbra, and his deputy Pedro Andrade (who will soon replace Coimbra, at least on an acting basis) to discuss next steps. Coimbra recognized that now the MRE at the political level was behind concluding a TFCA agreement. He said that for the GOB the best way to proceed would be to receive written comments back from the USG to the suggest changes, indicating what was acceptable and what was troublesome or not possible. With that information, the MRE, which leads in these negotiations, would hold an inter-ministerial meeting to decide how to respond. After that, the USG and GOB could hold negotiations, either by videoconference or, even better, face-to-face. Coimbra felt strongly that this two-step approach was better than going directly to a videoconference or face-to-face meeting.

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15. (SBU) The Environment Ministry is eager to go forward because they want to start up conservation programs in the tropical forests of the Mata Atlantica, as soon as possible, and also for concern that continued repayment of the debt might reduce the amount of funds available below the US\$20 million level under consideration. We understand the Finance Ministry is supportive of having a TFCA program, though they would have preferred to include the entire debt to the United States and not just US\$20 million.

16. (SBU) Assuming that both sides come to acceptable language for the TFCA agreement, the GOB would have one more step to take, i.e., submit it for approval to the Senate for fast-track approval. Ordinarily, a bilateral agreement such as the TFCA would need to be approved by both chambers of the Brazilian congress. However, during the September 2008 negotiating session, the GOB identified a way to configure the agreement as essentially a financial arrangement, which means it would only need to go to the Senate and on a fast-track procedure. The GOB estimated that it would take approximately three months for the Senate to approve the arrangement. With Senate approval, then the TFCA could then enter into force.

#### KEY SUGGESTED CHANGES

17. (SBU) The specific changes requested by the GOB have already been provided to the State Department, the Treasury Department, and USAID. Patriota summarized for the Charge in a brief non-paper the main amendments requested, which are:

- the resources should be directed to Brazilian tropical forests that do not currently benefit from international cooperation, namely, the Mata Atlantica (along the east coast), the Cerrado (in the central-west), and the Caatinga (in the north-east);

- the resources should go to "Brazilian" non-governmental organizations (NGOs), governmental agencies and other appropriate

local or regional entities (NOTE: Almost all the NGOs operating in Brazil are "Brazilian," including The Nature Conservancy, World Wildlife Fund, etc. END NOTE.);

- the agreement should stipulate how the U.S. Government will declare that the Brazilian debt has been paid (The GOB is proposing that USAID issue a document called a "quittance" as a written acknowledgement (receipt)discharging the GOB after each installment is paid);

- changes should be made in the criteria for composition of the board.

#### COMMENT

18. (SBU) A sea change within the MRE's decision makers has now cleared the way to proceed forward in establishing a TFCA agreement. The suggested changes are not trivial and will require careful analysis by the USG. Nonetheless, the new goodwill unveiled by the GOB and the USG's long-standing support for a TFCA program in Brazil provide a solid basis for going forward, understanding that, in the end, it simply might not be possible. The ramifications of the TFCA negotiations will likely be felt in other areas. The GOB team working on the TFCA agreement will be also the same one handling work on bilateral and multilateral environmental issues. Most notably, this GOB team will probably be

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basically same as that team that will handle negotiations of a bilateral agreement on forest conservation, offsets and credits, as called for in the draft climate legislation in the U.S. Congress. That climate change agreement will involve several magnitudes larger sums. Success with the TFCA negotiations would be a helpful start to those subsequent negotiations. Furthermore, the TFCA matter is one of the first matters to come up for Deputy Minister Patriota and his team, as they try to improve relations with the United States. We should give it our best efforts to try to successfully conclude those negotiations. END COMMENT.

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